

Trump and Iran strategies: maximum pressure vs escalation

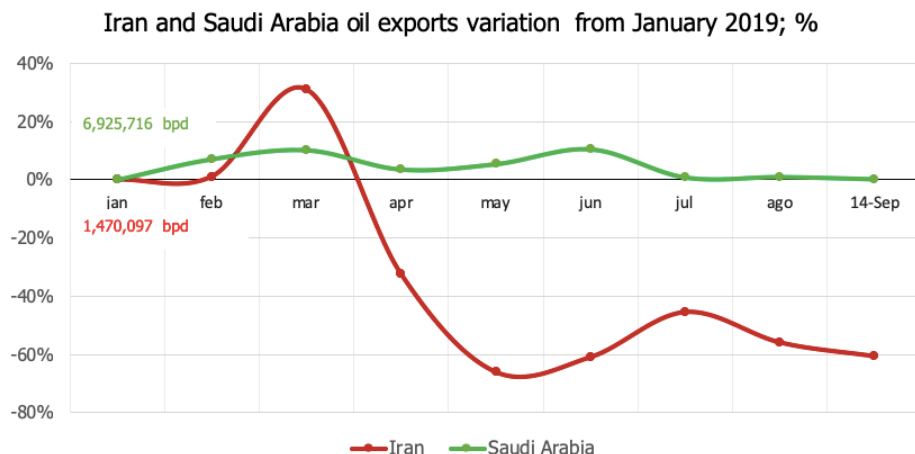
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On September 14, airstrikes with 18 drones and 7 missiles on the Abqaiq and Khuraris refineries temporarily halted more than half of Saudi Arabia's crude oil production (5.7 million barrels per day) and momentarily reduced surplus capacity global oil. Investigations conducted by Saudi and U.S. experts determined that the attack was most likely launched from an Iranian base near the Iran-Iraq border.

The Ayatollah regime immediately denied its responsibility in the attack. While Houthi rebels in Yemen, in a fratricidal war against the Saudis, took responsibility for the act. However, the attack on Saudi Aramco's oil facilities fits within the tactical actions that Iran has been carrying out since May in the Gulf region, when Donald Trump ended all exemptions from the purchase of Iranian oil.



Source: TankerTracker | Author analysis

Escalation of the crisis in the Persian Gulf is a risky strategy for Iran's Islamic regime. But it's the answer to Washington's strategy of "maximum pressure".

Sanctions imposed by the Trump administration have caused the Iranian economy to take a major blow. The IMF estimates that GDP will fall 6% in 2019 and oil exports have fallen from 1.9 million barrels/day in March to 578,000 barrels/day by 14 this month, according to TankerTrackers data.

The Ayatollah's initial strategy was to resist the "maximum pressure" exerted by the White House, bypassing the sanctions imposed by the Trump administration. They thought that complying with the 2015 nuclear agreement would serve as an endorsement for maintaining trade relations with Europe. It didn't work. The dollar-based international financial system

caused large European companies to refrain from continuing to exchange goods and services with the Iranian regime.

As a result, Iran's leaders went on the offensive last May to counter U.S. "maximum pressure". The new strategy seeks to change the cost-benefit calculus for Washington and the world. Iran calculated that pushing back against the United States by targeting its allies and interests would generate diplomatic leverage that could be used in any future negotiations.

Initially there were attacks on Saudi and Emirati tankers, and commercial vessels in the Persian Gulf area, generating a threat to 20% of the global crude supply that sails through the Strait of Hormuz. Iran even shot down a U.S. military drone. However, these actions, which caught the world's attention and seemed designed to prevent civilian deaths or provoke a U.S. military response, failed to achieve its goal, sustaining an oil price increase. Because in the oil market, there is an abundance and excess supply of crude oil relative to global demand.

So, Iran sought to escalate the conflict with the attack on Saudi Aramco refineries, cutting 6% of global production. At the time, the consequences were at the level of the global economy. In addition to complicating Trump's re-election prospects, they rely heavily on the strength of the U.S. economy.

With the escalation of the conflict, Iran is betting on a geopolitical strategy, sending a message to the world: hostility against the Islamic country will spread throughout the Middle East and disrupt global oil supply.

This situation leaves Trump and the world with a set of risky options, from America's military retaliation - with greater consequences, a war in the Persian Gulf - to the non-American intervention that would intensify the cold war between Arabia Iran and would threaten the largest oil trade flows from the Middle East to Europe, Asia-Pacific and the United States.

To Trump's "maximum pressure" strategy, the ayatollahs respond by igniting the forces of chaos and conflict in the region. Faced with this scenario, Trump seeks a rapprochement with Rouhani to negotiate a wider deal on nuclear and security issues. This time, Iran puts as a condition the lifting of U.S. sanctions.

For now, it seems that with the escalation of the conflict, Iran is setting the tempo.